



INTERNAL AUDIT ANNUAL AUDIT AUDIT FINDINGS FOLLOW-UP

December 20, 2004

Roanoke City Council Audit Committee
Roanoke, Virginia

We have completed our findings follow-up audit for fiscal year 2004. Our audit was performed in accordance with generally accepted government auditing standards.

BACKGROUND

At the conclusion of each audit assignment, we work with management to develop action plans to address reportable conditions such as significant control weaknesses, non-compliance with policies and procedures, and violations of laws and regulations. Our department is required by government auditing standards to follow up on all significant findings to determine if issues from the original audit were appropriately addressed. To satisfy this requirement, we maintain a database of all audit findings reported to the Audit Committee and any associated recommendations and action plans.

In August of each year, we print a report of all open findings that were due to be implemented by June 30th of that year. We issue memos to the departments involved and ask that they respond back to us regarding their progress towards resolving their findings. Once we receive responses from the departments, we schedule site visits to verify the effectiveness of the changes implemented. Those findings that have been satisfactorily addressed are "cleared" in our database and require no future review. Those findings in which the planned actions have not yet been fully implemented are left open in the database and will be reviewed again the following year.

SCOPE

We reviewed the status of action plans in Planning, Building & Development; the Department of Finance; the Department of Technology; Civic Facilities; Facilities Management; Parks & Recreation; Fire/EMS; and the Police Department.

OBJECTIVE

The purpose of this audit is to determine if action plans due to be implemented by June 30, 2004, were effectively executed and satisfactorily resolved the associated audit concerns.

METHODOLOGY

As described in the background above, we used a database to track the status of all

reported audit findings. We performed limited inquiry, observation, and test work to determine the effectiveness of actions taken by management in response to audit findings.

RESULTS

There were 13 audit findings involving eight departments that were due to be addressed by June 30, 2004. Based on the results of our audit work, the following eight findings were cleared:

- In 2003, we noted that the Accela permit system was not set up to encrypt customer credit card numbers. It was determined at that time that the card numbers were not needed and should not be entered into the Accela system. Planning, Building & Development has changed its procedures and no longer enters credit card numbers into the system. Previously existing credit card numbers were deleted.
- In 2003, our analysis of payments indicated that payment vouchers were being used for purchases that should be made using purchase orders and service contracts. In simple terms, payment vouchers require less involvement by the Purchasing division and Finance, which makes them more susceptible to abuses. We specifically identified \$6.7 million in payments for professional services processed in fiscal 2003 using payment vouchers. The Department of Finance revised Administrative Procedure 3.4 effective July 1, 2003, to limit the use of payment vouchers to specific items. Our analysis indicates that expenditures for professional services paid for by payment vouchers dropped to approximately \$1.5 million in fiscal 2004.
- In 2003, we cited some concerns regarding the use of the miscellaneous vendor code for one time payments. The primary concern was the limited information a miscellaneous account provides in comparison to the information available when using specific vendor accounts. The Department of Finance has updated its policies governing the establishment of vendors on the accounting system. Finance now requires all new vendors complete a W-9 form before any payment is made or purchase order processed. Finance has created specific miscellaneous vendor codes for departments that have high volumes of non-recurring payments such as Social Services and Risk Management. This isolates payments by those departments so they can be more easily analyzed. Our analysis indicates that the number of payments over \$1,000 to vendors assigned a miscellaneous code will drop by approximately 40 percent if current trends continue.
- In 2003, we cited a concern regarding the controls in place to ensure computer program modifications were adequately tested before being released by the Department of Technology. The Department of Technology has completed the modifications requested and now has a process in place to ensure module changes are adequately tested and approved before being released.

- In 2003, we cited a concern regarding records maintained for assets under \$5,000. The plan at that time was to develop a process for managing small assets using the new accounting system and the new work order system. We have determined that the new accounting system does not have a module well suited for managing small assets. However, the work order system does have the functionality to manage small assets. The initial implementation of the work order system is scheduled for 2005 in the Parks & Recreation Department, with implementations in the Facilities Management division and the Transportation division to follow as funding is identified. The City's technology assets are currently managed using the C: Support Asset Management System. We believe any additional procedures related to small asset management at this time would be premature. We plan to conduct a new study of small asset management once the work order management system is in place.
- In 2003, we cited concerns regarding the Civic Center's time and attendance system, Qquest. The system was installed without involving the Department of Technology and without implementing adequate controls. The Civic Center has now completed a review and revision of the Qquest system with the assistance of the Department of Technology. The processes for using the system have been documented and the interface with the City's payroll system has been designed and implemented.
- In 2003, we cited a concern regarding the incomplete implementation of the Civic Center's Events Business Management System (EBMS). The system was a key initiative of the Civic Center's business plan and was expected to provide an integrated, computerized system for managing event business. The Civic Center, with the assistance of the Department of Technology, has substantially implemented all of the modules in EBMS.
- In 2003, we cited a concern regarding the frequent use of blanket work orders in Facilities Management. Blanket work orders provided minimal accountability for materials and labor. We recommended that the Facilities Management division review its use of blanket work orders and revise its policies accordingly. The Facilities Management division has revised its policies, eliminating blanket work orders for the key shop and welding areas. The division now requires tradesmen to keep more detailed time sheets, enabling supervisors to better assess productivity even when work is performed under a blanket work order. Punch lists are used to document specific maintenance requests at the jail and jail annex. These requests account for approximately half of all the labor hours recorded under blanket work orders. Tradesmen document the date each request is fulfilled on the punch list. The anticipated implementation of a work order system is expected to enhance the division's ability to manage labor and materials.

The following areas have made significant progress towards implementing their action plans, but have some portion of their plans remaining to be implemented. The status of implementation in these departments is summarized below:

Civic Center:

Original Finding: In 2003, an investigation into irregularities with contracted labor revealed that work performed by employees was also being billed to the Civic Center as contract labor. We recommended that the Civic Center develop a comprehensive policy and procedures manual for managing contracted, temporary, and part-time labor. The procedures were expected to address how labor was to be budgeted, approved, supervised, and monitored.

Follow Up: The Civic Center has developed and implemented improved procedures related to documenting time worked by part-time, temporary and contract laborers. These include stricter requirements regarding sign-in sheets, requiring the event name to be written on each contract labor invoice, and requiring both a supervisor and manager to review and sign invoices. The Civic Center's Accounting Office also reviews all contract labor invoices for names of part-time and temporary employees on the payroll. These procedures have significantly addressed the concerns arising from the 2003 investigation. The Civic Center has not yet completed comprehensive procedures detailing how event staffing is budgeted and monitored for reasonableness. The Civic Center is in the process of developing these procedures.

Facilities Management:

Original Finding: The Facilities Management division does not have written policies and procedures for the building maintenance function addressing work prioritization, labor and materials management, and preventive maintenance. There are no formal asset records that provide maintenance specifications, maintenance schedules, repair histories, useful life projections, or warranty information.

Follow Up: Initially, the Facilities Management division decided to postpone development of procedures until the anticipated work order / asset management system was implemented. Once it was decided that the work order system for the Facilities Maintenance division would not be implemented for two to three years, the division decided to immediately begin working on documenting procedures. The division has now provided supervisory and support staff with introductory training on documenting policies and procedures using flow charts. The division has begun developing an inventory of all major assets. It has begun developing procedures for tracking new assets and for managing its inventory of tools and equipment. It has also begun mapping and evaluating current work flows. The revised target dates for completing the division's action plans are:

- Inventory of major assets to be completed by July 1, 2005
- Complete mapping of work flows by July 1, 2005
- Update preventive maintenance schedules by July 1, 2006

Parks & Recreation:

Original Finding: In 2002, we cited a concern regarding part-time staff who reported

working at times for which they had not originally been scheduled to work. Parks & Recreation policies require employees to document the reasons for such variances on their time sheets. We found, in a number of cases, variances were not adequately explained.

Follow Up: We reviewed recent time sheets and again noted some variances from scheduled time that were not adequately explained on the time sheets. Parks & Recreation has already begun a comprehensive review of its policies and procedures manual to ensure time and attendance processes are simple, effective, and clearly stated. Parks & Recreation plans to provide additional training to supervisors who are responsible for scheduling and supervising part-time employees.

Fire / EMS:

Original Finding: In 2002, we noted that the Fire Marshal's office was not meeting its stated goals for building inspections. These goals were established in the spring of 2000 after the office was reorganized.

- "90 day cycle" inspections – 5 of 10 (50%) we reviewed were not current
- "180 day cycle" inspections – 4 of 10 (40%) we reviewed were not current
- "Annual cycle" inspections – 11 of 20 (55%) we reviewed were not current

Follow Up: The Fire Marshal responded that the number of inspections his office conducts has increased four fold over the number conducted prior to the 2000 reorganization. He believes over 10,000 inspections were completed in fiscal 2004. However, the Fire Marshal went on to state that his office has experienced some difficulties with its new records management software, Red Alert. Briefly stated, the records are not in sufficient order to enable the Auditing Department to evaluate the Fire Marshal's success in meeting inspection goals. The Fire Marshal believes changes that have already been implemented, along with expected refinements to the Red Alert system, will rectify current issues with the files. He anticipates that we will be able to document compliance with the Fire Marshall's inspection goals by June 30, 2005.

Police:

Original Finding: State law requires any person, firm, etc., dealing in secondhand precious metals or gems to obtain a gold permit annually. The permitting process is intended to ensure such persons or businesses are of generally good character and operate as legitimate dealers. In 2003, we noted that only three gold permits were issued in fiscal 2003. The Police department had identified at least 40 prospective gold dealers operating in the city in 2001.

Follow Up: During this year's annual audit of Police Cash Funds, we determined that only four gold permits were issued in fiscal 2004. The \$200 fee for each permit was not billed or collected for any of the four permits.

We would like to thank the management and staff of all the departments involved for their efforts to address past audit findings and for their cooperation and assistance in completing this annual review.

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